IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF INDIANA
SOUTH BEND DIVISION

Boss Products, Inc.	)	Case No 3:05CV293RM
	)	
Plaintiff,	)	Judge Robert L. Miller, Jr.
	)	
vs.	)	
	)	**MEMORANDUM IN SUPPORT OF**
Port-A-Pit Bar-B-Que of	)	**DEFENDANT'S MOTION FOR**
Edgerton, Inc.,	)	**PARTIAL SUMMARY JUDGMENT**
	)	
Defendant.	)	Charles C. Butler (19062-02)
	)	Bish, Butler & Thompson, Ltd.
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I. INTRODUCTION

Plaintiff seeks to protect its alleged rights in the "Port-A-Pit" trademark after grossly neglecting to do so for thirty (30) years. Beginning more than thirty (30) years ago, and based on Plaintiff's encouragement, Defendant used the Port-A-Pit name in a successful catering business that Defendant developed. Inexplicably, in all those years, Plaintiff failed to mention to Defendant that it claimed rights in the name. Plaintiff filed suit to bar Defendant from using the "Port-A-Pit" name, but only after Defendant terminated their business relationship because of Plaintiff's unreasonable demands.

This lawsuit represents an unconscionable and extremely tardy effort to protect supposed rights to a trademark, when in fact such rights were forfeited years ago through Plaintiff's own and complete failure to protect the mark.

II. STATEMENT OF MATERIAL FACTS

A. INITIAL BUSINESS NEGOTIATIONS BETWEEN THE PARTIES.

Plaintiff and Defendant began a business relationship in the early 1970's. In the summer of 1972 or 1973, Robert Peverly saw Nelson Gongwer operating a large portable chicken grill in Williams County, Ohio. Plaintiff referred to it as a "Cater-Car" grill. (Ex. B, Iva Peverly, Aff., para.1; Ex. N, Robert Peverly Aff., para. 1). Nelson Gongwer was the former principal of Plaintiff's predecessor in interest. [1]

After their initial encounter, Nelson Gongwer and Robert Peverly met again to discuss a possible business arrangement whereby Robert Peverly would provide catering services with a Cater-Car grill provided by Nelson Gongwer's company. (Ex. N, Robert Peverly Aff., para. 1). Robert and Iva Peverly met in the living room of Nelson Gongwer to discuss their business venture. The issue of what name Defendant would operate under came up. (Ex. B, Iva Peverly Aff., para. 2). Nelson Gongwer suggested and encouraged Defendant to use the name "Port-A-Pit Bar-B-Que of Edgerton". He never mentioned or asserted any proprietary interest in the name "Port-A-Pit" or any variation thereof. (Ex. B, Iva Peverly Aff., para. 2). He never mentioned his company had a registered trademark. (Ex. B, Iva Peverly Aff., para. 2). He never suggested that the use of the "Port-A-Pit" name was conditioned upon using his grills or having a contractual relationship with his company. (Ex. B, Iva Peverly Aff., para. 2). In fact, Nelson Gongwer told the Peverlys that his company did not wish to directly provide catering or grilling

[1] Plaintiff is now under the primary control of Nelson's grandson, Troy Gongwer (Ex. O, Troy Gongwer Dep., p. 45). Defendant is now under the control of Robert Peverly's son, Daniel Peverly. (Ex. A, Dan Peverly Aff., p. 1).

services in Defendant's county of residence or the surrounding area in the future. (Ex. B, Iva Peverly Aff., para. 2). The Peverlys were led to believe they had the unfettered right to use the Port-A-Pit name indefinitely and without conditions or restrictions. (Ex. B, Iva Peverly Aff., para. 3; Ex. N, Robert Peverly Aff., para. 2; Ex. A, Dan Peverly Aff., para. 3).

It is noteworthy that Defendants could have picked any name they wanted. Indeed, other individuals that were provided Cater-Car grills by Plaintiff chose other names that did not have the phrase "Port-A-Pit" in them.[2] If Nelson Gongwer had asserted trademark rights in the Port-A-Pit name, or had imposed conditions on the use of the Port-A-Pit name, the Peverlys would have simply used another name like others did. (Ex. B, Iva Peverly Aff., para. 4; Ex. N, Robert Peverly Aff., para. 3).

B. THE PARTIES SIGN INITIAL AGREEMENT IN 1974.

Following negotiations and selection of a name, on or about March 9, 1974 the parties entered into a written agreement ("74 Agreement") (Ex. C). Pursuant to the '74 Agreement, Plaintiff agreed to supply a Cater-Car grill to Robert Peverly to use in a certain designated geographic area near Defendant's home in Williams County, Ohio, and in Branch and Hillsdale Counties in Michigan. (Ex. C, pp. 1-2). The parties were to share net profits 50/50. (Ex. C, p. 5, para.7). The '74 Agreement required Defendant to use the barbeque sauce developed by Plaintiff. (Ex. C, p. 4, para 3 (a)).

The '74 Agreement identified Plaintiff as "Port-A-Pit Bar-B-Que, Inc.", an Indiana corporation (Plaintiff's predecessor in interest). Defendant was identified as "Port-A-Pit Bar-B-Q of *Edgerton*". The '74 Agreement made no reference of a registered trademark or of the

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[2] See Exs. T, U, V, W and X which represent contracts with other individuals or businesses. As is evident, it is quite typical that caterers did not operate under a name using the phrase "Port-A-Pit". See in particular the second

"Port-A-Pit" name, and imposed no conditions upon the use of such name. (Ex. C, p. 4, para. 3(e)).

Significantly, in agreements Plaintiff had entered into with other caterers years ago, trademark issues were spelled out in detail. (See, for example, Ex. T, para. 6 & 7; Ex. U, para. 1; Ex. W, para. 7). When trademark issues were not addressed in one contract with another caterer, Plaintiff obtained written confirmation from the other party acknowledging Plaintiff's trademark rights. (See for example Ex. Q). Again, however, in the case at bar, Nelson Gongwer never apprised Defendant of trademark rights and Defendant never acknowledged such rights like Plaintiff did with other caterers. (Exs. Q, T. U, V, W and X). (Ex. B, Iva Peverly Aff., paras. 2-4; Ex. N, Robert Peverly Aff., paras. 2-4).

The '74 Agreement provided only minimal orientation and training. Plaintiff was only contractually required to visit Defendant's location once in Williams County to provide instructions on the use of the grill. (Ex. A, p. 2, para 3(c)). In actuality, Robert Peverly and his wife Iva learned and perfected the process of preparing and cooking chicken by themselves over many years of trial and error. (Ex. B, Iva Peverly Aff., paras. 5-6).

1. Supplement to '74 Agreement – Territory Expanded.

On or about December 7, 1974 the original agreement was amended to add two counties in Indiana: Dekalb and Steuben. (Ex. E). On or about July 8, 1975 the parties entered into a new agreement ("75 Agreement") (Ex. E). The 1975 Agreement expanded the geographic territory to include the Ohio counties of Lucas, Wood, Ottawa, Sandusky, Seneca, Erie and Huron. (Ex. D, p. 2, para. 2).

C. THE LEASE AGREEMENT OF 1983.

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to last page of Ex. U which reveals the names of five (5) other caterers/franshisees that did not use the "Port-A-Pit" phrase in their name.

On or about November 1, 1983 the parties entered into a new agreement ("Lease Agreement") (Ex. F). The Lease Agreement was significant in a number of respects. First, instead of a profit sharing arrangement as reflected in the earlier agreements, the Lease Agreement was, of course, a lease. In addition, Defendant went from using one (1) Cater-Car grill under the prior agreement to leasing six (6) grills. (Ex. F, p. 1, para. 1). The geographic territory under the Lease Agreement was extended even further to include thirty-one (31) counties in Ohio and three (3) counties in Indiana. (Ex. A, Dan Pverly Aff., para. 17) (Ex. F, p. 2, para. 5). (The Ohio territory expanded to thirty-two (32) counties in 1987. (See Footnote 3))

The Lease Agreement was exclusive, providing that Plaintiff would not lease a Cater-Car grill to anyone other than Defendant for mobile catering services in Defendant's territory. (Ex. F, p. 2-3, para. 5). The Lease Agreement was renewed on November 1, 1987 (Ex. I) and again on November 1, 1998 (Ex. J). The Lease Agreement expired on November 1, 2003.

Once again, the 1983 and 1987 Lease Agreements made no reference to the Port-A-Pit trademarks, as was the case with agreements with other caterers. (Ex. F and H).

The 1983 Lease Agreement (covering six (6) trailers) and a 1987 Lease Agreement[3] (covering one (1) trailer), formed the written contractual basis of the parties' arrangement until 2003, when Defendant returned the seven (7) Cater-Cars upon expiration of the leases. (Ex. A, Dan Peverly Aff., para. 8). **(Hereinafter these agreements are referred to in the singular as the "Lease Agreement"**.)

[3] On September 4, 1987, the parties signed a second lease agreement ("September 1987 Agreement"; Ex. H). This agreement was similar to the 1983 Lease Agreement, but provided for the lease of one additional Cater-Car grill and added a 32nd Cater-Car.

D. PLAINTIFF ABANDONED CONTROL OVER DEFENDANT'S OPERATION IN 1983.

Plaintiff had no contractual right of control as to how Defendant conducted its catering services. The Lease Agreement provided that Defendant was an "independent business" and was "not required to use any particular marketing plan or system" (Ex. F, p. 3, para. 6). The Lease Agreement further provided that "[s]uggestions made by [Plaintiff] may be accepted or rejected since [Defendant] shall have *sole control over the manner in which he will use the leased barbeque machine and over his method of operation*". (Ex. F, p. 3, para. 7) (emphasis added). The Lease Agreement also provided that Defendant was no longer obligated to use the barbeque sauce provided by Plaintiff as required in the original '74 Agreement. (Ex. F, p. 6, para. 14(c)).

A memo of Dean Gongwer establishes unequivocally the total abandonment of any control over the caterers' business or quality after they went from the earlier agreements to the lease agreements:

> Lessee is not required to use the Port-A-Pit name, can use whatever name they wish.
>
> Not required to purchase our sauce or anything else we produce. (We could under franchise require him to purchase our plates, napkins, sacks, boxes, etc.). . . .
>
> We would no longer have right to terminate agreement for failure to live up to the many terms of the franchise. *Basically, one complies with the lease simply by making the lease payments and staying within one's territory* . . . .
>
> (B)asically a lessee is more of an independent business than is a franchisee. No one has a right to tell the lessee how to run his business. (Ex. R, pp. 1-2). (emphasis added).

1. Defendant Incorporated its Business Using the Port-A-Pit Name.

The 1983 Lease Agreement was signed by Defendant in its present incarnation, namely, "Port-A-Pit Bar-B-Que of Edgerton, *Inc*." (Ex. F, p. 1, introductory para.). A few years earlier Defendant was incorporated under the laws of the State of Ohio using this name. (Ex. A, Dan Peverly Aff., para.4); (Ex. G). Defendant did not seek Plaintiff's approval, and no one on behalf of Plaintiff ever objected to this incorporation or the continued use of this name in the operation of the business, or in the Lease Agreements signed two years later in 1983. (Ex. A, Dan Peverly Aff., para. 4)

E. DEFENDANTS SPENT YEARS BUILDING UP GOODWILL USING THE PORT-A-PIT NAME.

Robert and Iva Peverly began building their business and goodwill under the name "Port-A-Pit Bar-B-Q of Edgerton". At all pertinent times they operated under this name. (Ex. A, Dan Peverly Aff., para. 5; Ex. N, Robert Peverly Aff., para. 7).

Robert Peverly was a school teacher. The Peverlys catered events in the summer at a variety of social functions. (Ex. B, Iva Peverly Aff., para. 6). Plaintiff provided no guidance or support with respect to marketing or building the business. (Ex. B, Iva Peverly Aff., para. 7; Ex. N, Robert Peverly Aff., para. 8). Robert and Iva Peverly built their business literally by the sweat of their brow over a hot grill and through a "mom and pop" marketing effort. Robert did all the cooking for many years. (Ex. N, Robert Peverly Aff., para. 6) Iva Peverly would send out letters to various social and profit groups in Williams County and the surrounding area to develop business. (Ex. B, Iva Peverly Aff., p. 7). Plaintiff freely admits that the Peverlys were very good at the catering business. (Ex. P., Troy Gongwer Dep., p. 63; Dean Gongwer Dep. Pp. 48-49).

The Peverlys chose the vendors for purchasing their chicken. In addition to serving chicken, the Peverlys would serve a variety of side orders such as potato salad and other dishes. (Ex. B., Iva Peverly Aff., para.8; Ex. N, Robert Peverly Aff., para. 9; Ex. A, Dan Peverly Aff., para. 6). The Peverlys had complete control and discretion over what additional items of food to serve. Plaintiff provided no guidance or restrictions on what to serve, how to serve it, when to serve it, etc. (Ex. B, Iva Peverly Aff., para 8; Ex. N, Robert Peverly Aff., para. 9). Plaintiff never once commented on what could or could not be served with the chicken, never commented once on how the chicken could or should be prepared, never provided any guidance on how to market, when to market, or to whom to market. (Ex. B., Iva Peverly Aff., p. 7; Ex. A, Dan Peverly Aff., p. 7; Ex. N, Robert Peverly Aff., para. 8). In short, after the Peverlys began they were on their own.

F. PLAINTIFF SOUGHT TO IMPOSE UNACCEPTABLE TERMS ON DEFENDANT - - AS A RESULT, DEFENDANT TERMINATED THE BUSINESS RELATIONSHIP IN 2003.

In October, 2003 Dan Peverly, the sole shareholder of Defendant, surrendered the seven (7) Cater-Cars to Plaintiff and terminated the 1983 and 1987 Lease Agreements. (Ex. A, Dan Peverly Aff., para 8). Defendant decided not to renew the leases because Plaintiff thought Defendant was insisting on unreasonable terms in new proposed contracts. (Ex. A, Dan Peverly Aff., para. 9). In addition, Dan Peverly simply did not want to work with Nelson’s grandson, Troy Gongwer, who was now running the business. (Ex. A, Dan Peverly Aff., para. 9).

In 2003, before the Lease Agreement expired, Plaintiff presented three (3) separate documents for Defendant’s approval: an “Operation Agreement” (Ex. K), a new “Lease Agreement” (Ex. L), and a “Trademark Usage Agreement” (Ex. M). (Ex. A, Dan Peverly Aff, para.10). Dan Peverly found these proposed agreements to be unacceptable. Practically

speaking they would have made Defendant beholden indefinitely to the Plaintiff. For example, under the Operation Agreement, Defendant had to agree not to compete for five (5) years after termination of the agreement. This would have effectively prevented Dan Peverly from going out on his own for five (5) years; would have eliminated any leverage Defendant might have in future contract negotiations; and would have prevented Defendant from working with other providers of grilling equipment. (Ex. K, p. 2, para. 4). The Operation Agreement also reduced the exclusive territory of Defendant. (Ex. K, p. 1, para. 1). It also effectively eliminated Defendant's exclusive territory completely by permitting Plaintiff to permit any third party to use Cater-Car/Port-A-Pit machines in Defendant's territory through a licensing or franchise agreement. (Ex. K, p. 2, para. 4).

The proposed Trademark Usage Agreement would have required Defendant to acknowledge Plaintiff's rights in the Port-A-Pit name that it obviously disputes. (Ex. M). As noted above, Defendant spent thirty (30) years building the goodwill of its business using this name. The Plaintiff's proposed Trademark Usage Agreement would have had the effect of stripping Defendant's rights in the name.

G. FACTS PERTAINING TO BREACH OF CONTRACT CLAIM.

Before Defendant surrendered the seven (7) Cater-Car grills in 2003, it took one of the units to a manufacturing business to give the fabricator an idea of what they wanted to have constructed. (Ex. N, Robert Peverly Aff., para. 10). The manufacturer examined the leased grill and then built a grill for Defendant. (Ex. N, Robert Peverly Aff., para. 10). Plaintiff alleges the grill was "duplicated". No so. There were numerous differences between the leased Cater-Car grills and Defendant's new grill:

- The new grill is longer and heavier and looks substantially different
- A heavier gauge of stainless steel was used in the production of the new grill

- The new grill has two axels (the leased grill had one)
- The new grill has adjustable bearings that are larger and designed for heavier duty than the bearings on the leased grill
- All doors on the new grill are hinged
- The new grill has a stainless steel chain
- The new grill has a sliding table under the sauce pan
- The new grill has a top holding oven that runs the full length of the trailer
- The new grill has a holding area for propane tanks
- The new grill is designed so that the product is cooked farther away from the charcoal
- The new grill has four adjustable air vents for the bottom doors
- The new grill has four adjustable air vents on the top side to allow smoke to escape from the grill
- The new grill sits higher off of the ground
- All rods inside the new grill are heavier than those inside the leased grill
- The new grill has a different trailer jack
- The new grill has removable panels to allow access to the stationary bearings
- The new grill has different latches for the doors
- The new grill has a spare tire carrier
- The new grill has a lid above the sauce pan to allow more smoke out of the grill while loading or unloading the product
- The number of baskets inside the new grill is different

These differences not only affected the appearance of the grill but also its functionality in many respects. (Ex. A, Dan Peverly Aff., paras. 11 and 122).

III. LAW AND ARGUMENT

A. PLAINTIFF'S TRADEMARK MUST BE DEEMED ABANDONED PURSUANT TO THE DOCTRINE OF "NAKED LICENSING"

Plaintiff asserts trademark rights pursuant to Exhibit G attached to its Complaint. It is noteworthy, however, that Exhibit G references a trademark for a "portable cooker of meats". Defendant presently does not use any portable grills that bear the name "Port-A-Pit". It merely uses the name in the course of its catering business. To the extent Plaintiff asserts a service or trademark for catering services, it is incumbent upon it to come forward and present evidence of such trademark.

Assuming, *arguendo*, Plaintiff is asserting a trademark claim for a Port-A-Pit *service* mark, Plaintiff has nonetheless forfeited trademark rights through abandonment. 11 U.S.C. 1115(b)(2). The defense of abandonment can be invoked via the doctrine of "Naked Licensing". This legal concept is explained as follows:

> ***Uncontrolled Licensing***
>
> Uncontrolled license of a mark whereby the licensee can place the mark on any quality of type of goods or services may cause the mark to lose any significance it may have. Such uncontrolled use by a licensee raises a grave danger that the public will be deceived by such usage. The public will be deceived because in the absence of quality control, the licensee's use of the mark misrepresents the trademark owner's connection with the goods or services sold under licensed mark.
>
> ***The Licensor's Duty of Control.***
>
> A product is not truly "genuine" unless it has been manufactured and distributed under quality controls established by the manufacturer. Thus, not only does the trademark owner have the right to control quality, when it licenses, *it has the duty to control quality*. When that duty is not adequately discharged, the licensed mark carries the potential for customer deception: the antitheses of a valid trademark . . . .
> . . .
> Uncontrolled or "naked" licensing may result in the trademark ceasing to function as a symbol of quality and controlled source. This effect has often been characterized as an "abandonment" of the trademark. (emphasis added)

3 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 18:48 (4th ed. 2002). (attached as Exhibit Y).

The concept of abandonment is also addressed in Restatement (Third) of Unfair Competition, Section 30:

> (1) In an action for infringement of a trademark . . . defense of the designation was abandoned by the party asserting rights in the designation prior to the commencement of use by the actor.
>
> (2) A trademark . . . is abandoned if:

> (b) The designation has lost its significance as a trademark . . . as a result of . . . other acts or omissions by the party asserting rights in the designation.

Abandonment through naked licensing has caused the forfeiture in cases similar to the case at bar. *See, e.g., BarcAmerica International USA Trust v. Tyfield Importers, Inc.*, 289 F.3d 589 (9th Cir. 2002). In *BarcAmerica* plaintiff asserted rights in the "Leonardo DaVinci" mark pursuant to a federal registration. *Id.* at 591. In 1998, BarcAmerica had entered into a license agreement with a third party which had a non-exclusive right to use the "DaVinci" mark for five (5) years. *Id.* at 592. Significantly, the agreement contained no quality control provisions. BarcAmerica also disclaimed any responsibility or involvement with quality control pertaining to the use of the DaVinci mark. *Id.* at 592 n. 3. BarcAmerica instituted an infringement case against defendant Tyfield who was seeking to use the same mark. Tyfield moved for summary judgment arguing that BarcAmerica abandoned the mark through naked licensing because of the absence of quality control measures. The trial court granted summary judgment in Tyfield's favor because BarcAmerica abandoned its mark. The decision was affirmed by the appellate court. *Id.* at 598. In so ruling the court concluded:

> It is well established that '[a] trademark owner may grant a license and remain protected provided quality control of the goods and services sold under the trademark by the licensee is maintained.'. . . But "[u]uncontrolled" or "naked" license may result in the trademark ceasing to function as a symbol of quality and controlled source'. 3 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 18:45 (4th ed. 2002). Consequently, where the licensor fails to exercise adequate quality control over the licensee 'a court may find that the trademark owner has abandoned the trademark, in which case the owner would be estopped from asserting rights to the trademark'. . .

BarcAmerica, 289 F.3d at 595-596.

See also *Am Can Enterprises, Inc. v. Renzi*, 32 F.3d 233 (7th Cir. 1994). (licensor must take "effective steps to ensure that the produce sold by licensee is of the same quality as the product sold by the licensor). *Id.* at 236; *Halo Management LLC v. Interland, Inc.* (76

U.S.P.Q.2d 1199); *TMT North America, Inc. v. Magic Touch GmbH*, 124 F.3d 876 (7th Cir. 1997). In *TMT North American,* the Seventh Circuit Court of Appeals embraced Section 33 of Restatement (Third) of Unfair Competition which provides in pertinent part:

> The owner of a trademark . . . may license another to use the designation. . . . Failure of the licensor to exercise reasonable control over the use of the designation by the licensee can result in abandonment of the designation . . . .

Although the Restatement acknowledges control is a "flexible standard responsive to the particular facts of each case", there must be sufficient control "under the circumstance to satisfy the public's expectation of quality assurance arising from the presence of the trademark on the licensed goods or services". See note A, *Historical Development to Reinstatement (3d) of Unfair Competition*, Section 33.

1. *Plaintiff Contractually and Practically Abandoned any Meaningful Control over Defendant's Business.*

Plaintiff's lack of control could not be more striking. Indeed it was the written policy of Plaintiff that it did *not* have "the right to tell a lessee how to run his business . . . ". (Ex. R, p.2). It was the written policy of Plaintiff that as long as Defendant made the "lease payments" and stayed within the designated territory, the Lease Agreement would not be terminated. (Ex. R, p. 2). The Lease Agreement stated in plain language that Defendant "shall have sole control over the manner in which he will use the leased barbeque machine and over his method of operation". (Ex. F, p. 3, para. 7). The Lease Agreement also provided that Defendant was an "independent business" and Defendant was "not required to use any particular marketing plan or system". (Ex. F, p. 3, para. 7). Defendant marketed the business as Defendant saw fit. Defendant was free to serve any food side items with the chicken they saw fit. (Statement of Facts, supra, pp. 6-7). Defendant had the right to use any other sauce since it was optional ever since the parties executed the 1983 Lease Agreement. (Ex. F, p. 6, para. 14(c)). Plaintiff admits that for some

time Defendant used a sauce that tasted different from the sauce Plaintiff provided. (Ex. O, Troy Gongwer Dep., pp. 109-111).

Plaintiff failed to exercise the slightest control to prevent an abandonment of its license. Indeed, the Lease Agreement *prohibited* control by the Plaintiff. Reasonable minds can only conclude that Defendant has abandoned the "Port-A-Pit" mark via naked licensing. Pursuant to the doctrine of "Naked Licensing" Plaintiff's mark is deemed abandoned.

Defendant respectfully asserts that the entire trademark should be abandoned on the basis of naked licensing. Alternatively, the trademark should be deemed abandoned with respect to the specified territory under which Defendant has operated for many years. (*See E.F. Richards Co. v. Consumer Brewing Co.*, 136 F.2d 512, 521-522 (6th Cir, 1943).

B. PLAINTIFF SHOULD BE BARRED BY EQUITABLE PRINCIPLES FROM PURSUING REMEDIES UNDER FEDERAL LAW FOR ITS INEXCUSABLE DELAY IN SEEKING TO ENFORCE ITS ALLEGED TRADEMARK RIGHTS.

The equitable doctrine of laches and acquiescence applies to actions under 15 U.S.C. § 1114 and 15 U.S.C. 1125. *See* 15 U.S.C. § 1115(b)(9); *Hot Wax, Inc. v. Turtle Wax, Inc.*, 191 F.3d 813 (7th Cir. 1999); *Conopco, Inc. v. Campbell Soup Co.*, 95 F.3d 187, 193 (2d Cir. 1996) ("because the Lanham Act universally protects against consumer confusion, we see no distinction between trademark cases and misleading advertisement cases for the purpose of laches.").

1. Undisputed Facts Support Equity Defenses.

Plaintiff's appalling failure to assert its rights in its supposed trademark for over thirty (30) years is as bad as it gets. Defendant could have used some other name that did not include the phrase "Port-A-Pit when they set up their business in the early 1970's, or when they converted to a Lease Agreement in 1983. (See Ex. R, "Lessee is not required to use the Port-A-

Pit name, [it] can use whatever name they wish"). However, in a pivotal moment, Nelson Gongwer suggested and encouraged Defendant to use Port-A-Pit in its name from the beginning. He made it clear he had no interest in using the name himself for catering services in Williams County, Ohio and the surrounding area. He never mentioned a trademark, never asserted a trademark, and never indicated Defendant's use of the Port-A-Pit name was conditioned upon a business relationship with Plaintiff. It is inexcusable and inexplicable that in a series of contracts over thirty (30) years Plaintiff failed to mention any trademark, especially in light of the fact that Plaintiff protected their alleged trademark in agreements with other caterers. (See, *supra*, at p. 3, and fn. 2).

Nelson Gongwer, his son Dean Gongwer, and his grandson Troy Gongwer sat back for thirty (30) years and let a school teacher and his wife build a very successful catering business under the Port-A-Pit name without ever once advising Defendant of any restrictions on the use of the name. It was only when Troy Gongwer tried to impose oppressive non-compete covenants, and tried to put the "squeeze" on Defendant, (causing Defendant to walk away), that Plaintiff finally asserted a trademark right to the Port-A-Pit name. Had the Peverlys known Plaintiff would have done something like this, they would have chosen another name as other caterers did. (See, *supra*, at 3). Defendant respectfully submits that it would be difficult to find a more compelling set of facts and circumstance supporting the defense of acquiescence.

2. Plaintiff is Barred by the Equitable Doctrine of Acquiescence/Acquiescence Estoppel From Pursuing Its Federal Claims and 11 U.S.C. 1114 and 1125.

The equitable defense of acquiescence has been explained as follows:

> [R]eliance on the consent or acquiescence of the trademark owner can create an estoppel which will preclude an effective termination of the consent.
>
> Use of the word 'acquiescence' to denote implied consent from affirmative conduct seems appropriate in those cases where the litigants had been engaged in

> continuous business dealings and the trademark owner impliedly encouraged its business partner's use of the mark over a long period of time. . . .
>
> A plaintiff cannot indicate at one time to defendant that defendant's acts are acceptable and then later sue defendant after it has acted in reliance on plaintiff's implied assurances. As Judge Learned Hand remarked, '[T]he owner may have so conducted himself as impliedly to ensure the newcomer that he does not object and the newcomer may have built upon that assurance'. . . .
>
> Where there are acts of active encouragement, the label of "estoppel by acquiescence" is very appropriate. . . .
>
> 6 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 31:42 (4th ed. 2002). (Ex. Z).

Also instructive is Restatement (Third) of Unfair Competition, Section 29, which addresses the issue of consent and the limitations of revoking it:

> A trademark owner may be precluded from terminating its consent by express or implied terms of an agreement with the licensor. The trademark owner may also be estopped from terminating the consent if the termination would be inequitable because of the actor's reasonable reliance, evaluated in light of the specific terms of any agreement between the parties.
>
> RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 29, n. D (1995).

Instructive to the case at bar is *Ambrosia Chocolate Co. v. Ambrosia Cake Bakery, Inc.*, 165 F.2d 693 (4th Cir. 1947). In *Ambrosia*, the plaintiff registered the name "Ambrosia". Like the Plaintiff and Defendant herein, the litigants in *Ambrosia* had a close relationship. *Ambrosia* provided materials to defendant so the latter could make cakes using the Ambrosia name. The court dismissed Plaintiff's claim for trademark infringement on equitable principles, finding as follows:

> We must conclude that the District Court correctly decided that [t]here was adequate basis for an absolute defense on the grounds of laches and acquiescence by plaintiff, amounting to estoppel. . . . [D]efendant and its affiliates, by extensive advertising of the name "Ambrosia" for its cakes and by capable management and salesmanship, built a large and lucrative cake business; therefore, plaintiff is now estopped from destroying that business by an injunction which would forbid the use of the name "Ambrosia" for the cakes of defendant . . .

Id. at 695.

Also instructive is the case of *Checker Cab Mfg. Corp. v. Green Cab Co.*, 35 F.2d 631 (6th Cir. 1929). In *Checker Cab*, plaintiff manufactured taxicabs. The trademark in question was a band of checker boarder design that was placed on the cabs. *Id.* at 631-32. The defendant was the operator of taxicabs. *Id*. Shortly after defendant Green Cab went into business the plaintiff persuaded it to adopt its trademark for use on its cabs. *Id*. Over the years Green Cab developed a profitable business in the taxicab service. *Id.* After several years of this arrangement, defendant ceased to purchase its taxicabs from plaintiff and looked for another source of vehicles. *Id.* The Sixth Circuit Court of Appeals affirmed the district court's decision dismissing plaintiff's trademark case on equitable principles:

> Here the plaintiff has induced and persuaded the defendant to use the checkerboard as its symbol of service.
>
> . . .
>
> It is repugnant to all principles of equity that, having induced the defendant to use the checker boarder … Plaintiff should now be permitted to destroy this good will. . . . Such retention of rights in operation and continued control of a trademark could be preserved, if at all, *only by express provision in the original contract, which provisions the parties have seen fit to omit*."
>
> *Id.* at 632-633. (emphasis added)

The case at bar is strikingly similar to *Ambrosia, supra,* and *Checker Cab, supra*. Like *Checker Cab*, in this case Plaintiff did not operate a catering business in Defendant's territory, which was exclusive. It merely manufactured the Cater-Car grill for Defendant's use. Like *Checker Cab,* Plaintiff encouraged the use of a trademark by Defendant and only sought to prevent the use of the trademark after Defendant decided to terminate their business relationship. Like *Checker Cab,* Plaintiff in this case failed to reference or reserve any trademark rights by contract. Like *Checker Cab* and *Ambrosi*a, it would be unjust and inequitable to permit Plaintiff

to strip Defendant of its use of a name that it built up on its own sweat equity, hard work and extensive marketing over many years. Thirty (30) years is way too long to sit on your hands and remain silent as to alleged trademark rights.

3. Plaintiff is Barred by Laches from Pursuing Its Federal Claims.

Even if Plaintiff asserts that it never gave Defendant permission or otherwise acquiesced to Defendant's use of "Port-A-Pit," the doctrine of laches bars Plaintiff's claims. Laches is available not only as a defense to a claim for damages, but it is also available to bar a plaintiff's claim for injunctive relief. *Hot Wax*, 191 F.3d at 844.

A party asserting the defense of laches need only demonstrate: "(1) an unreasonable lack of diligence by the party against whom the defense is asserted and (2) prejudice arising therefrom." *Hot Wax, Inc.*, 191 F.3d at 820. In this case, Plaintiff knew that Defendant was using "Port-A-Pit" approximately 30 years before suit was filed. Many courts have found that lengthy delays in bringing suit may bar plaintiffs from recovery. *See e.g., Valvoline Oil Co. v. Havoline Oil Co.*, 211 F. 189 (D.N.Y. 1913) (six-year delay); *Conopco, Inc. v. Campbell Soup Co.*, 95 F.3d 187 (2d Cir. 1996) (five-year delay); *Hot Wax, Inc.*, 191 F.3d 813 (7th Cir. 1999) (ten to twenty year delay).

In *Hot Wax, Inc. v. Turtle Wax, Inc.*, the plaintiff was aware of defendant's allegedly false or deceptive advertising for at least ten years before filing suit. In affirming the district court's application of the doctrine of laches, the Seventh Circuit noted that the plaintiff permitted the defendant's advertising and development of its business to go unchecked for between ten and twenty years and as a result of the lengthy delay, the defendant was prejudiced.

Prejudice in the context of a laches defense "ensues when a defendant has changed his position in a way that would not have occurred if the plaintiff had not delayed." *Conopco, Inc. v.*

Campbell Soup Co., 95 F.3d 187, 192 (2d Cir. 1996). In *Hot Wax*, the defendant was prejudiced because it invested significant amounts of time and money in developing its business while the plaintiff delayed filing suit. While it is understandable Plaintiff did not file suit while it had a business relationship with Defendant, it was inexcusable to wait thirty (30) years before *notifying* Defendant of its trademark rights since Defendant could have operated under a different name. Defendant detrimentally and reasonably relied on Plaintiff's failure to act by establishing goodwill under the Port-A-Pit name. It would be unjust to permit Plaintiff to effectively rob Defendant of the goodwill it created. Let there be no mistake: Port-A-Pit Bar-B-Que of Edgerton is successful because of the Peverly family, not because of the Gongwers.

Significantly, not only did Plaintiff delay for approximately 30 years to take action to protect its trademark, but also delayed filing suit for approximately 16 months after it learned of the alleged infringement of the "Port-A-Pit" name. Such a delay is also a basis for the application of laches. *See Conopco*, 95 F.3d at 190-91 (applying laches where the plaintiff took steps to prevent alleged false advertising but delayed filing suit for five years.).

C. REASONABLE MINDS CAN ONLY CONCLUDE THAT THIS IS NOT AN "EXCEPTIONAL CASE".

Even if Plaintiff is entitled to injunctive relief or other monetary damages, reasonable minds can only conclude that this is not an "exceptional cases" under the Lanham Act that would support an award of attorney fees. 15 U.S.C. 1117(a). Exceptional cases involve "acts of infringement that can be characterized as 'malicious,' 'fraudulent,' 'deliberate,' or 'willful.'" *Roulo v. Russ Berrie & Co., Inc.*, 886 F.2d 931, 942 (7th Cir. 1989). An infringement is not "willful" merely because a party continues to use a mark after knowledge of a potential problem with using the mark. This is true even when a party has received a cease and desist letter. *See Munters Corp. v. Matsui America, Inc.*, 730 F. Supp. 790, 799 (N.D. Ill 1989) a*ff'd* 909 F.2d

250. ("[M]ere knowledge on the part of the defendant of the plaintiff's mark and the defendant's refusal to relinquish its mark upon demand are not necessarily indicative of bad faith. Those actions could also be explained by a good faith judgment on the part of the defendant that its use does not infringe the plaintiff's mark").

An award of attorney fees is an "extreme" remedy and should require a high degree of culpability such as bad faith or fraud on the part of the infringer. *See Moore Business Forms, Inc. v. M. Ryu.,* 960 F.2d 486, 491-92 (5th Cir. 1992). Courts will not award attorney fees where a party has a good faith belief that it was acting in a manner consistent with the law. *See Roulo*, 886 F.2d at 942 (matter was not an exceptional case where infringing party made an effort to create dissimilarities, although the dissimilarities were not sufficient); *see also Bucca di Bacco, Inc. v. Buca di Bacc', Inc.*, 828 F. Supp. 31 (S.D.Tex. 1993) (attorney fees not appropriate where infringer had a good faith defense even though its legal theory was flawed). In this case Defendant believes it has valid defenses, as such, an award of attorney fees would be inappropriate.

In determining whether to award attorney fees, courts may also consider whether a party relied upon the guidance of counsel. *See Berkshire Fashions, Inc. v. Sara Lee Corp.*, 729 F. Supp. 21, 22-23 (S.D.N.Y. 1990). Significantly, in this case Dan Peverly saw a lawyer shortly after he received the cease and desist letter in 2003. He continued his course of conduct based upon advice of counsel. (Ex. A, Dan Peverly Aff., para. 14). In accordance with *Berkshire*, *supra*, it would be inappropriate to award attorney fees where Defendant proceeded in a manner that he thought was lawful – irrespective of whether it actually was.

This is not an exceptional case. This is a case where a family business used a name supposedly trademarked by another company only because that company remained silent for

thirty years while the family business built up considerable goodwill with that name. Furthermore, this case only continues because Plaintiff refused to accept Defendant's offer to stop using the name in exchange for dropping the lawsuit -- a name Defendant firmly believes it has a right to use. The Magistrate can take judicial notice of telephone conferences in which the parties have described extensive settlement efforts. Defendant even offered to pay a substantial sum even though it has a compelling defense. (Defendant only proposed a settlement to avoid costly litigation.) (Ex. B, Dan Peverly Aff., para. 16). Plaintiff has failed to respond to the most recent proposal that has been outstanding for some time. It is only because Plaintiff insists upon extracting an unwarranted money settlement and a "pound of flesh" on a highly dubious trademark infringement case that this suit continues. Plaintiffs should pay its own lawyer for this needless litigation.

D. REASONABLE MINDS CAN ONLY CONCLUDE THAT PLAINTIFF DOES NOT HAVE A SUSTAINABLE CLAIM FOR BREACH OF CONTRACT.

Plaintiff's breach of contract claim is based on a clause in the Lease Agreement that provides, "Lessee agrees not to copy or duplicate the leased machine either directly or indirectly, nor to aid anyone else in copying same." (Ex F. p 6, para. 13(f)). Defendant wanted a better grill and took one of the leased units to a fabricator. The manufacturer examined the leased Cater-Car Grill and then built a new, different and better machine for Defendant. (Ex. A, Dan Peverly Aff., paras. 11-13). It is undisputed that the new machine was different in numerous respects. (See Statement of Facts, *supra* at ___). These differences not only affected the appearance of the machine but also its functionality. (Ex. A, Dan Peverly Aff., para. 12). By definition Defendant did not copy or duplicate the leased grills.

"Copy" means to "make an *identical* version of." MICROSOFT ENCARTA DICTIONARY 193 (Anne H. Soukhanov et al. eds., 2002). To "duplicate" is to "make an *exact* copy of." MICROSOFT ENCARTA DICTIONARY 273 (Anne H. Soukhanov et al. eds., 2002).

Interpretation of the terms of a written contract is a pure question of law for the court. *See In re Kemper Ins. Co.*, 819 N.E.2d 485, 490 (Ind. App. 2004). When interpreting the contract, the court must apply the plain and obvious meaning of the language used. *Id.* Where terms have a prevailing meaning, that meaning should be applied. RESTATEMENT (SECOND) OF CONTRACTS § 202(3)(a) (1981). As used in the Lease Agreement, the terms "copy" and "duplicate" clearly and unambiguously mean to make an identical or "knock-off" grill. Such an interpretation is consistent with the prevailing meaning of the terms of the Lease Agreement. (Ex. F, p. 6)..

1. Any ambiguity is construed in Defendant's favor.

Plaintiff may try to argue that "copy or duplicate" should be interpreted to include producing a grill that is not only a "copy or duplicate", but also any grill that is "similar" to the leased grills. In other words, Plaintiff may want this Court to add words or meaning to the Lease Agreement. In any event, where terms of a contract are ambiguous, they are construed against the drafter. *In re Kemper Ins. Co.*, 819 N.E.2d 485, 490 (Ind. App. 2004). Plaintiff drafted the '83 Lease Agreement. (Ex., P, Dean Gongwer Dep., p. 52). It was Plaintiff's choice to use the terms "copy" and "duplicate." Plaintiff must live by the terms it chose and cannot expect this court to add words to the contract.

It is significant to note that after Defendant had the new grill built, Plaintiff attempted to change the contract to prevent what Defendant did. In the proposed Lease Agreement (which was not signed by Defendant), Plaintiff not only included a prohibition on "copy[ing] or

duplicate[ion]" of its grills, but also added a phrase that Defendant could not fabricate anything "substantially similar" to Plaintiff's grills. (Ex. K, p. 4, para. 12(F). Obviously, Plaintiff realized that the previous version of the Lease Agreement Defendant signed in 1983 did not prevent Defendant from taking a leased grill to a fabricator, as long as the new grill was not a true copy or duplicate. Moreover, nothing in the Lease Agreement required Defendant to obtain its machines exclusively from Plaintiff. Defendant could have obtained a number of similar machines from a number of sources.

The only question is whether Defendant copied or duplicated a leased grill – which it did not, period. The fact that Plaintiff may be upset that Defendant used one of its grills as a reference to make a grill that was *different* is irrelevant. Plaintiff's claim must fail as a matter of law.

2. Plaintiff has not suffered monetary damages from the breach.

Plaintiff can only recover money damages actually suffered. *Sammons Communications of Ind., Inc. v. Larco Cable Constr.,* 691 N.E.2d 496, 498 (Ind. App. 1998). Monetary damages may not be awarded on a guess or speculation but must be ascertainable with reasonable certainty. *Id.* (citing *Ind. & Mich. Elec. v. Terre Haute Indus.,* 507 N.E.2d 588, 601 (Ind. Ct. App. 1987)).

Assuming *arguendo* that Defendant breached the Lease Agreement, Plaintiff has not suffered any monetary loss. Defendant paid all required rent under the Lease Agreement and returned the leased grills upon expiration of the lease agreement in good working order. (Ex. A, Dan Peverly Aff., para. 8) . Plaintiff is not entitled to money damages. Defendant is entitled to summary judgment on Plaintiff's breach of contract claim.

IV. CONCLUSION - - RELIEF SOUGHT

1) Reasonable minds can only conclude that Plaintiff abandoned all oversight and control of its caterers many years ago. A more compelling case for abandonment through "naked licensing" could not be made. Plaintiff respectfully requests the Court enter summary judgment and a finding that any trade or service mark of "Port-A-Pit" for catering services be deemed abandoned and declared unenforceable by this Court. Alternatively, Defendant seeks summary judgment and a finding that the trademark is abandoned and unenforceable against Defendant as to thirty-two (32) counties in Ohio, three (3) counties in Indiana, and Hillsdale County in Michigan. (See, *supra*, for specification of counties).

2) Alternatively, Defendant seeks summary judgment and a finding that reasonable minds can only conclude that Plaintiff is barred by equitable principles of acquiescence, estoppel or laches from enforcing its alleged trademark or pursuing any federal claims under 11 U.S.C. 1114 and 1125.

3) Irrespective of the ultimate outcome of Plaintiff's federal claims or Defendant's remedies thereto, Defendant has presented valid defenses as well as evidence of attempting to proceed in good faith and in compliance with the law. Under no scenario is this "an exceptional case". To the extent Plaintiff's claims survive summary judgment, Defendant respectfully requests this Court enter summary judgment in its favor finding that this is not an exceptional case.

4) Finally, reasonable minds can only conclude that Defendant did not copy or duplicate the subject Cater-Car grill, and if it did, there are no monetary damages. Defendant respectfully requests summary judgment on this issue as well.

Respectfully submitted,

/s/ Charles C. Butler

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CERTIFICATE OF SERVICE

I hereby certify that the foregoing Memorandum in Support of Defendant's Motion for Partial Summary Judgment was served electronically on the 14th day of September, 2007 upon the following:

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